

Message Text

PAGE 01 STATE 134136

72

ORIGIN NEA-12

INFO OCT-01 ADP-00 SS-15 EB-11 L-03 H-02 IGA-02 AID-20

AGR-20 OMB-01 TRSE-00 NSC-10 CIAE-00 INR-10 NSAE-00

RSC-01 ABF-01 COME-00 FRB-02 XMB-07 STR-08 CIEP-02

CEA-02 DODE-00 PM-07 PA-03 PRS-01 USIA-12 /153 R

DRAFTED BY NEA/INS:DWBORN:AM

7/9/73 X20701

APPROVED BY S/S- MR. MILLER

NEA/INS:MR KUX/MR. LAINGEN

M/FRM/FM:MR WHITENER

EB:MR WEINTRAUB

AA/ASIA:MR WHITE

AID/GC:MR GARDINER

NEA:AMB MEYER

NEA:MR SISCO

H:MISS FOLGER

AGRIC:MR. BRUNTHAVER

TREASURY:MR. HENNESSY

WHITE HOUSE:DR. KISSINGER

----- 037268

R 100013Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

INFO AMEMBASSY ISLAMABAD

C O N F I D E N T I A L STATE 134136

E.O. 11652: GDS

TAGS: EFIN, PFOR, IN

SUBJ: RUPEE DISCUSSIONS: NEGOTIATING INSTRUCTIONS

1. YOU ARE AUTHORIZED TO OPEN DISCUSSIONS WITH THE GOI TO REACH A SETTLEMENT IN REGARD TO USG HOLDINGS OF INDIAN RUPEES AND DEBT CLAIMS REPAYABLE IN THAT CURRENCY. WE HAVE INDIAN RUPEE ASSETS OF APPROXIMATELY \$3.2 BILLION EQUI-CONFIDENTIAL

PAGE 02 STATE 134136

VALENT. THESE CONSIST OF CURRENT BALANCES OF ABOUT \$840 MILLION AND ABOUT \$2.4 BILLION IN OUTSTANDING PRINCIPAL DUE ON LOANS. (INTEREST DUE ON THOSE LOANS AMOUNTS TO AN ADDITIONAL \$1.3 BILLION; INTEREST ON DEPOSIT BALANCES WOULD

FURTHER INCREASE THE TOTAL.) YOU SHOULD OPEN
NEGOTIATIONS BY PROPOSING THAT:

A. THE US WOULD RETAIN OWNERSHIP OF APPROXIMATELY
\$1.5 BILLION EQUIVALENT FOR ITS USE. THIS IS ROUGHLY THE
EQUIVALENT OF USG EXPENDITURES AT THE 1972 RATE (ABOUT
\$53 MILLION) CALCULATED IN TERMS OF CONSTANT (1972)
RUPEES FOR 20-25 YEARS.

B. THE GOI WOULD AGREE THAT THE USG WOULD HAVE
MAINTENANCE OF VALUE AGAINST RUPEE DEVALUATION ON THE \$1.5
BILLION EQUIVALENT RESERVED FOR US USE WHETHER AS BAL-
ANCES OR IN THE FORM OF OUTSTANDING CREDITS. (THIS WOULD
NOT RPT NOT APPLY IN ANY CASE OF DOLLAR DEVALUATION
VIS-A-VIS THE RUPEE.)

C. THE USG WOULD AGREE TO GRANT TO THE GOI, WITHIN
THE LIMITATIONS OF PL-480, REMAINING US-OWNED RUPEES BY
THE CREATION OF ENDOWMENT FUNDS TO BE ADMINISTERED BY
THE GOI, BY SPECIFIC DEVELOPMENT GRANTS TO THE GOI, OR BY
OTHER MEANS.

D. THE GOI WOULD AGREE TO PAY ALL DOLLAR CONVERSIONS
DUE UNDER PRESENT PL-480 LOAN AGREEMENTS, (ABOUT DOLS 37
MILLION).

E. THE GOI WOULD AGREE TO CONTINUED USG USE OF ITS
RUPEES FOR THE FULL RANGE OF PURPOSES AND ACTIVITIES WHICH
IT HAS FINANCED IN THE PAST.

2. IN PRESENTING THE US POSITION, YOU SHOULD NOTE THAT
SEVERAL PAST PROBLEMS REMAIN WITH US AND THAT WE WOULD
EXPECT THE GOI, IN ANTICIPATION OF A RUPEE SETTLEMENT
AGREEMENT, TO:

A. PAY THE OUTSTANDING CONVERSIONS DUE FROM PAST
PL-480 AGREEMENTS (E.G., THE OVERDUE 104(B) CONVERSIONS
CONFIDENTIAL

PAGE 03 STATE 134136

AND THE OUTSTANDING 104(J) CONVERSIONS).

B. CONCLUDE ITS REVIEW OF US USES OF RUPEES SO THAT
THE US GOVERNMENT MAY AGAIN USE ITS RUPEES FOR THE FULL
RANGE OF ACTIVITIES, INCLUDING COOPERATIVE SCIENTIFIC
RESEARCH PROGRAMS; AND

C. AGREE TO THE 1972 REQUEST FOR DOLS 8 MILLION
EQUIVALENT IN RUPEES TO SUPPORT US AID PROGRAMS IN NEPAL.

3. IN PRESENTING THE ABOVE POSITION TO THE GOI, YOU MAY
WISH TO MAKE THE FOLLOWING POINTS:

A. WE ARE PREPARED TO MAKE FINITE WHAT NOW THREATENS TO BECOME INDEFINITE, E.G., OUR CONTINUED USE OF RUPEE DEBT PAYMENTS, AND IN EFFECT TO ESTABLISH AN ARRANGEMENT WHICH WOULD PUT A LIMIT TO OUR USE OF US GOVERNMENT RUPEES.

B. WE SEEK THE USE OF ONLY ENOUGH RUPEES TO CONTINUE US GOVERNMENT PROGRAMS AT ABOUT THEIR RECENT ANNUAL RATES, MEASURED IN DOLLARS, ROUGHLY FOR THE LIFE OF OUR RUPEE LOANS; WHILE MAXIMIZING OUR CONVERTIBILITY RIGHTS.

C. WE ARE PREPARED TO REDUCE MUCH OF THE EXCESS OF RUPEES ABOVE OUR NEEDS BY ELIMINATING ACCRUALS OF INTEREST ON OUTSTANDING PRINCIPAL AS PERMITTED BY OUR LAWS, AND WOULD GRANT, POSSIBLY OVER TIME, THE REMAINING EXCESS AMOUNTS FOR MUTUALLY AGREED PURPOSES. WE WILL BE SUBMITTING SPECIFIC PROPOSALS FOR THESE GRANTS, AND WOULD ALSO WELCOME GOI SUGGESTIONS IN THIS REGARD.

D. THE US, IN LIFTING THE AID SUSPENSION, HAS REMOVED RESTRICTIONS IT IMPOSED IN 1971; WE EXPECT THE GOI TO DO LIKEWISE, AS REQUESTED UNDER PARA 2 ABOVE.

E. SETTLEMENT WILL, OF COURSE, BE SUBJECT TO SATISFACTORY COMPLETION OF CONSULTATIONS WITH CONGRESS, PERTINENT COMMITTEES OF WHICH HAVE ALREADY BEEN INFORMED OF OUR INTENT TO NEGOTIATE ON THIS SUBJECT.

CONFIDENTIAL

PAGE 04 STATE 134136

4. CONGRESSIONAL ATTITUDES TOWARD INDIA, IN ADDITION TO THE IMPRESSION AMONG SOME MEMBERS OF CONGRESS THAT ALL OUR RUPEE ASSETS HAVE SUBSTANTIAL REAL VALUE, WILL LIMIT OUR NEGOTIATING FLEXIBILITY. TO AVOID ANY POTENTIAL- LY ADVERSE IMPACT ON FOREIGN ASSISTANCE AND AGRICULTURAL BILLS NOW PENDING, WE WILL WANT TO PHASE PACE OF NEGOTIA- TIONS CAREFULLY AND ALSO TO AVOID UNDUE PUBLICITY. WE MUST ALSO CONCERN OURSELVES WITH POSSIBLE NEGATIVE CONGRESSIONAL REACTION TO DE FACTO WRITE-OFF OF \$1.7 BIL- LION WORTH OF RUPEES. THE INCLUSION IN AN AGREED SETTLE- MENT OF A MAINTENANCE OF VALUE CLAUSE TO PROTECT US AGAINST RUPEE DEVALUATION MAY, BY ITSELF, BE INSUFFICIENT. TO HELP PERSUADE CONGRESS THAT SUCH A SETTLEMENT IS IN THE BEST INTEREST OF THE US, YOU SHOULD SEEK:

A. RAISING THE TWO PERCENT OF PL-480 LOAN REPAYMENTS NOW REQUIRED TO BE CONVERTED INTO DOLLARS FOR AGRICULTURE MARKET DEVELOPMENT TO FIVE PERCENT.

B. INCLUDING A PROVISION FOR USG PROCUREMENT OF INDIAN GOODS AND/OR SERVICES TO BE PAID FOR WITH A 75 PERCENT DOLLAR/25 PERCENT US-OWNED RUPEE MIX. OUR INITIAL

THINKING IS IN TERMS OF A CEILING OF \$100 MILLION FOR SUCH PURCHASES OVER A FIVE-YEAR PERIOD. SINCE THIS WOULD PROMOTE INDIAN EXPORTS, SUCH FACILITY SHOULD BE ATTRACTIVE TO GOI (AS IN FACT HAPPENED WITH YUGOSLAVIA). IT WOULD BE ATTRACTIVE TO US AS A WAY TO PURCHASE COMPETITIVE INDIAN PRODUCTS AT WHAT AMOUNTS TO 25 PERCENT DISCOUNT; (BOTH A AND B WOULD COME FROM THE RUPEES WE WOULD RETAIN AND NOT BE ADDITIONAL COST TO INDIANS).

C. PREAMBULAR LANGUAGE CONCERNING GOI RECEPTION AND TREATMENT OF US INVESTMENTS;

D. PREAMBULAR LANGUAGE RELATING TO EQUITABLE GOI TREATMENT OF US PRODUCTS IN THE ALLOCATION OF INDIA'S FOREIGN EXCHANGE RESOURCES.

E. ACKNOWLEDGING, AGAIN IN PREAMBULAR LANGUAGE, THE GROWING IMPORTANCE OF TRADE AND INVESTMENT GENERALLY
CONFIDENTIAL

PAGE 05 STATE 134136

AND US RECOGNITION OF THE INDIAN DETERMINATION TO REDUCE NET FOREIGN AID TO ZERO BY THE END OF THE FIFTH PLAN.

5. YOU ARE AUTHORIZED TO GO AS LOW AS \$1 BILLION IF NECESSARY IN ORDER TO REACH A SETTLEMENT. RUSH

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE134136
Document Source: ADS
Document Unique ID: 00
Drafter: NEA/INS:DWBORN:AM
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730768/abqcemtq.tel
Line Count: 192
Locator: TEXT ON-LINE
Office: ORIGIN NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by kelleyw0>; APPROVED <10-Jan-2002 by morefirh>; APPROVED <10-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status:
Subject: RUPEE DISCUSSIONS: NEGOTIATING INSTRUCTIONS
TAGS: EFIN, PFOR, IN
To: NEW DELHI INFO ISLAMABAD
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005